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EDC to offer tax credit to 'innovation' investors

\$100K limit designed for small R.I. firms

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A new tax credit aimed at building fast-growing, high-paying industries in Rhode Island offers up to \$100,000 to investors who put their money into businesses focused on technology, financial services, manufacturing and other "innovation" sectors.

The Rhode Island Innovation Tax Credit will offer investors up to a 50-percent credit on eligible investments in Rhode Island companies, with a maximum tax credit of \$100,000.

To be eligible for the credit, an investor must invest in a Rhode Island business working in biotechnology and life sciences; communications and information technology; financial services; marine and defense manufacturing; professional, technical and educational services; industrial and consumer product manufacturing, or design.

The tax credit is aimed at supporting companies that are off the ground but still early in their growth cycle, said Melissa Withers, a spokeswoman for the R.I. Economic Development Corporation, which will manage the program.

As such, investments eligible for the credit must be made in Rhode Island companies that had annual gross revenue of less than \$1 million in the prior two calendar years.

"These aren't startups, and when you're talking about an investment this small, you're also not talking about the big boys," Withers said. "This is really that middle-market company that's ready to grow and is out looking for additional investment to make that big growth play, and potentially create new jobs in that space."

The EDC spent the past year guiding the tax credit through public hearings and

the lengthy rule-making process required by the R.I. Division of Taxation whenever a new tax law is enacted. The General Assembly voted to create the credit during last year's legislative session, approving a recommendation of the R.I. Science and Technology Advisory Council – a coalition of business, academic and government leaders formed to guide the growth of the state's innovation economy.

The purpose of this credit is to try to attract new capital investment into the state in industries that are well positioned for growth, Withers said.

"Supporting entrepreneurs and attracting investment to Rhode Island is central to our efforts to build a 21st-century innovation economy that produces high-wage jobs for all Rhode Islanders," EDC executive director Saul Kaplan said in a news release. "This credit directs

resources toward innovative, small companies that are well positioned to grow in today's global economy. I believe that these companies will play an integral role in creating jobs and in making Rhode Island a more prosperous place. Although we need to continue to do more to attract investment to Rhode Island, we are excited to put this product into the market."

By statute, the state will stop offering the tax credit in 10 years unless lawmakers vote to continue it. The EDC can approve up to \$2

million in credit applications per year.

Investors must apply for the credit prior to making an investment. Once an application is approved, the investor has up to one year to make the investment and provide proof of the investment back to the EDC board of directors. Upon completion of this process, EDC will certify the investor's eligibility for the credit. Once received, the credit can be carried forward for up to three years. ■

'Supporting entrepreneurs and attracting investment to Rhode Island is central to our efforts.'

SAUL KAPLAN

RIEDC executive director

For more information about the tax credit, contact Christine Smith at 278-9197.